

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
CAB-02 COME-00 DOTE-00 EB-08 FAA-00 /076 W
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P R 071139Z SEP 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC PRIORITY 8711
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
USMISSION USNATO
COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L REYKJAVIK 1200

E.O. 11652: GDS
TAGS: PINT, MARR, IC
SUBJECT: DEBATE OVER CONSTRUCTION OF DUAL-PURPOSE AIR TERMINAL

REF: (A) REYKJAVIK 1174 DTG 011653Z SEP 78
(B) REYKJAVIK 1189 DTG 061150Z SEP 78

1. BEGIN UNCLASSIFIED. EVEN BEFORE NEW GOI INSTALLED
SEPTEMBER 1, DEBATE AMONG COALITION PARTNERS ERUPTED CONCERN-
ING FOREIGN POLICY SECTION OF GOVERNMENT PROGRAM DECLARATION
(REF A). IN PARTICULAR, ARGUMENT WAS OVER SENTENCE QTE
NO NEW MAJOR PROJECTS ARE AUTHORIZED IN THE AGREED AREA OF
THE DEFENSE FORCE UNQTE AND APPLICABILITY OF THAT SENTENCE TO
CONSTRUCTION OF DUAL-PURPOSE AIR TERMINAL AT KEFLAVIK.

2. SOCIAL DEMOCRATIC PARTY (SDP), WHICH HAD LONG URGED
CONSTRUCTION OF TERMINAL, HAS DECLARED THAT TERMINAL PROJECT
UNAFFECTED BY GOI DECLARATION. FOREIGN MINISTER BENEDIKT
GRONDAL NEGOTIATED WORDING OF DECLARATION ON BEHALF OF SDP
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AND MAINTAINS THAT TERMINAL CONSTRUCTION IS NOT IN QUESTION.
PROVISION ON NEW MAJOR PROJECTS IN AGREED AREA WAS DISCUSSED
AT SDP CENTRAL COMMITTEE MEETING WHICH ULTIMATELY RATIFIED
PARTY PARTICIPATION IN NEW GOVERNMENT; SUBJECT OF TERMINAL
WAS RAISED BY SDP SKEPTICS WHO FELT THAT WORDING OF STATEMENT
ON THIS POINT WAS UNCLEAR. GRONDAL ASSURED PARTY COLLEAGUES
THAT FUTURE OF TERMINAL WAS NOT IN DOUBT. SINCE THEN HE HAS

REITERATED THIS POSITION PUBLICLY.

3. CONTRARY VIEW IS HELD BY PEOPLE'S ALLIANCE (PA). PARTY MAINTAINS THAT SENTENCE IN POLICY STATEMENT IS DEFINITIVE AND COVERS TERMINAL WHICH WOULD BE NEW, MAJOR PROJECT WITHIN AGREED AREA. PA CHAIRMAN LUDVIK JOSEFSSON STATED THAT THIS UNDERSTANDING WAS PART OF BASIC INTERPARTY AGREEMENT WHICH ALL PARTIES ACCEPTED. OTHER PA MPS HAVE SECONDED THIS VIEW ARGUING THAT LARGE TERMINAL NOT NECESSARY AT THIS TIME AND THAT GOI COULD BUILD MODEST FACILITY ITSELF WHEN NEED AROSE.

4. PROGRESSIVE PARTY (PP) SHARES SDP POSITION IN SUPPORT OF TERMINAL. IT WAS PP VICE CHAIRMAN AND FORMER FOREIGN MINISTER EINAR AGUSTSSON WHO PUSHED CONCEPT OF TERMINAL WHILE HE WAS IN OFFICE, AND PARTY IS NOT BACKING DOWN ON COMMITMENT. DURING CURRENT DEBATE, PRIME MINISTER OLAFUR JOHANNESON EXPRESSED VIEW THAT NEW TERMINAL WAS ESSENTIAL. HOWEVER, JOHANNESON COULD NOT SAY IF "TERMINAL WOULD RISE" DUIG#

LIKE OF PRESENT GOVERNMENT THOUGH HE NOTED THAT WHEN COMPLETED, TERMINAL WOULD NOT BE WITHIN AGREED AREA BUT WOULD BE UNDER GOI JURISDICTION.

5. DISPUTE TURNS ON INTERPRETATION OF WORDS "NEW" AND "IN THE AGREED AREA OF THE DEFENSE FORCE". SDP AND PP DO NOT CONSIDER TERMINAL TO BE "NEW" SINCE IT HAD BEEN APPROVED
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DURING PREVIOUS GOVERNMENT. THEY ALSO ARE OF OPINION THAT SINCE TERMINAL WILL BE OUTSIDE OF AGREED AREA ONCE IT IS COMPLETED, ITS CONSTRUCTION IS NOT PROSCRIBED. PA REJECTS THESE INTERPRETATIONS NOTING THAT CONSTRUCTIONS HAS YET TO BEGIN AND GOI HAS NOT APPROVED FUNDING. TERMINAL, PA ARGUES, IS THEREFORE NEW PROJECT. FURTHERMORE, ITS CONSTRUCTION WOULD BE WHOLLY WITHIN AGREED AREA. END UNCLASSIFIED.

6. COMMENT: SINCE HIS EARLIER STATEMENTS ON TERMINAL QUESTION, FOREIGN MINISTER HAS ADDED THAT ECONOMIC SITUATION WILL HAVE INFLUENCE ON DECISION TO COMMIT BILLIONS OF KRONUR TO NEW AIRPORT FACILITY. HOWEVER, PRESSURE FROM HIS FELLOW SOCIAL DEMOCRATS MAY FORCE GRONDAL TO ENUNCIATE FIRMER POSITION ONCE AGAIN. GRONDAL CONVINCED RECALCITRANT MEMBERS OF SDP THAT PARTY SHOULD JOIN COALITION, AFTER COMMITTING HIMSELF TO FIGHT FOR SDP POLICIES WITHIN GOVERNMENT. GRONDAL WOULD FACE SERIOUS REVOLT IF HE MADE CONCESSIONS TO PA ON ISSUE SO IMPORTANT TO MANY SOCIAL DEMOCRATS. IT IS HOPED THAT MATTER CAN GET EARLY ATTENTION WITHIN GOVERNMENT SONCE NEW ECONOMIC MEASURES HAVE BEEN IMPLEMENTED IN THE NEXT WEEK, BUT GOI HAS OTHER PROBLEMS TO FACE AS WELL.

IN INFORMAL DISUCSSION WITH MEMBERS OF SOME GOVERNMENT
PARTIES RE TERMINAL, EMBASSY HAS BEEN ENCOURAGED BY
STRONG SUPPORT WHICH PROJECT SEEMS TO ENJOY OUTSIDE
OF HARDLINE PA CIRCLES. THESE CONTACTS ARE ANXIOUS
TO MOVE AHEAD ON TERMINAL ONCE GOI HAS SORTED ITSELF
OUT ON ISSUE. (FYI: ALTHOUGH SUBJECT OF GEOTHERMAL
HEATING AT KEFLAVIK HAS ALSO BEEN MENTIONED IN PRESS,
THIS IS NOT REALLY AN ISSUE SINCE MPS OF ALL PARTIES
HAVE SUPPORTED PROJECT.)
CHRISTENSEN

NOTE BY OC/T: #AS RECEIVED.

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